



I am Jim Garner, Secretary of the Kansas Department of Labor. Once again it is my pleasure to share with you best Labor Day wishes on behalf of Governor Kathleen Sebelius and Lt. Governor John Moore. I am pleased to present this report on the State of Labor in Kansas for 2006.

Labor Day is a time to reflect on the contributions of working men and women to our state's economy -- a time to honor their efforts to balance the demands of family and work. It is also a time to reflect on the state of the labor market in Kansas.

The Labor Market: Past vs. Present

The week of January 11, 2003 saw more than 47,000 jobless claims filed with the Kansas Department of Labor. It was a week that saw more than \$9.5 million in unemployment benefits paid to out-of-work Kansans. It was the highest week for demand of unemployment insurance benefits in the history of the employment security program in Kansas. Moreover, Kansas had realized an actual loss of jobs for the first time since 1982.

I shared these somber numbers with you during my first State of Labor address, here in 2003. They serve as a stark reminder of the tremendous challenges we faced back then and give us an indication of just how far our state and its economy has come over the past three years.

I am pleased to report that our economy continues to steadily grow from the recession that gripped us in 2003. Unemployment is down, jobs and wages are up and state revenues are increasing. In short --- we have come a long way.

The news is definitely much better today with the Kansas economy showing great resiliency. For the twelve-month period that ended on July 30, 2006, the state's unemployment rate averaged 4.7 percent. The average unemployment rate for 2003 was 5.6. Over the last year, just over 127,000 initial claims for unemployment benefits were filed, a 36 percent drop from the 198,000 that were filed in 2003. Since 2003, unemployment benefits paid from the UI Trust Fund has declined more than \$132 million. Trust Fund balances have steadily improved over the past three years and have gone from a low of \$217 million to a current balance of \$614.74 million.

It is worth noting that in July 2006 we recorded 1,503,889 people in the state labor force, more people than at any time before. Over the last year, Kansas averaged 1,334,700 jobs, 22,500 more than in 2003. In addition, average wages are climbing. Annual average wages in 2003 stood at \$31,485. Since that time the annual average wage has increased to \$33,844.

We continue to see job growth in both goods-producing and service-providing sectors. Three years ago, I reported the loss of 15,000 jobs – a significant portion in aircraft manufacturing. Now, we hear that the aviation industry faces a new and different challenge of finding 1000 sheet metal workers to meet their demands. This is a good problem – certainly better than the dire situation facing aircraft manufacturing in 2003.

...and the Future

We did not pull out of the recession overnight. It has taken a determined, focused effort to grow this economy, evidenced by the many policy initiatives that have helped in our recovery. The idea of bringing together business leaders and policymakers to focus on reviving the economy in all parts of the state through the Governor's Prosperity Summits is paying dividends. The Economic Growth Act of 2004 is a solid foundation from which

we will be able to diversify our economic base. Governor Sebelius' successful efforts this year to eliminate property taxes on business machinery and equipment will promote future job growth in all areas of the state. And, together Governor Sebelius and Lt. Governor John Moore led an important task force to maintain and expand our military installations that are vital to the economy in many Kansas communities.

While we have come a long way, it is not a time to sit back, kick up our feet and be satisfied with the journey. We must build upon the progress already made and the leadership that has brought us this far.

At the Kansas Department of Labor, we will continue to strive to improve service to our customers, the 82,994 employers and the 1.3 million workers in Kansas.

We are well into our multi-year initiative to modernize the unemployment insurance system. This project will create a new, more productive way of doing business with our customers. With input from our customers, we are designing a system that will be easier to access and flexible enough to meet the needs of both employers and workers.

We are doing our part to make doing business with our Workers Compensation division easier for everyone. Insurance companies and employers can now provide electronic accident reports to us, eliminating the need for mailing forms and paper documents. In 2005, about one-third of all accident reports were filed electronically.

We are also working to make better use of the valuable economic data we collect through our Labor Market Information division.

We have recently partnered with the Department of Commerce on an initiative to study the nursing profession in Kansas. This study will analyze demands in nursing occupations and serve as a roadmap in the development of a workforce training strategy that will help address the forecasted nursing shortage.

Also, this year we have begun a collaborative effort with the Department of Revenue to enhance our enforcement of laws concerning the misclassification of workers.

The deliberate misclassification of employees to avoid payment of taxes is a growing problem and one that disadvantages the overwhelming majority of Kansas employers who obey the laws, have workers compensation insurance and pay their taxes.

By cracking down on those employers who intentionally misclassify their employees to circumvent the law we can level the playing field for the law abiding employers who are at a disadvantage. I encourage anyone who has questions about this issue or suspects worker misclassification is taking place at a job site to go to our new joint website with the Department of Revenue at www.kdor.org/misclass.

Finally, as I have in my previous three State of Labor reports, I must make special mention of workplace safety. As I have said many times and as the facts continue to bear out -- Kansas enjoys some of the lowest Workers Compensation premium rates in the nation. If we wish to maintain this advantage, we should continue to promote those efforts that bring business and labor together and focus on improving workplace safety. Safer work places mean fewer injuries, fewer work comp claims and lower work comp insurance costs.

Under our Safety and Health Achievement Recognition program, more Kansas worksites have joined a very elite group of companies recognized by OSHA for their commitment to health and safety. Since 2003, 34 Kansas worksites have earned the prestigious SHARP designation. Kansas is one of the top states in the country for SHARP designated worksites.

Workers compensation costs are not contained by pitting employers and employees against each other, but instead by establishing a joint culture that creates higher expectations of safer workplaces that ultimately works to everyone's benefit.

Conclusion

In 2003, I concluded my Labor address with these words....” by dedicating our joint energies on job creation, we can envision better reports on the state of labor in future years. I have faith that the Kansas people and Kansas businesses will meet the current challenges and turn this economy around.” Kansans have done just that.

Tomorrow will bring new challenges. However, we know that by working together with the same committed effort and leadership we can put people to work and continue to grow this economy.

Thank you.